

## Message Text

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46

ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 INT-08 NSC-07

SS-20 STR-08 CEA-02 L-03 H-03 FEA-02 DRC-01 /161 W

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R 121056Z APR 74

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 4215

UNCLAS ISLAMABAD 3514

E.O. 11652: N/A

TAGS: EFIN, PK

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: (A) STATE 053993 (B) ISLAMABAD A-33 OF 3/30/73

1. STATEMENT ON INVESTMENT CLIMATE IN PAKISTAN AND AVAILABLE INVESTMENT STATISTICS IN RESPONSE TO REFTEL A FOLLOWS: (FIGURES PROVIDED ARE BASICALLY ROUGH POST ESTIMATES)

2. PAKISTAN: ALTHOUGH ECONOMY GREW AT REAL RATE OF ABOUT 6.5 PERCENT IN FY 1973, CONTINUING HIGH RATES OF INFLATION, LEVELING OFF IN EXPORT BOOM, AND SOARING PETROLEUM IMPORT COSTS HAVE DARKENED ECONOMIC PICTURE IN 1974. TOTAL FOREIGN INVESTMENT ESTIMATED DOLS230 MILLION, INCLUDING DOLS130 MILLION FROM BRITAIN AND DOLS70 MILLION FROM US. AMERICAN PRIVATE INVESTMENT CONCENTRATED IN FERTILIZER, PETROLEUM MARKETING AND EXPLORATION, AND PHARMACEUTICALS.

3. OFFICIALS CLAIM FOREIGN INVESTMENT WELCOME, BUT PRESENT GOVERNMENT MADE NO SPECIAL EFFORTS ATTRACT PRIVATE CAPITAL FROM ABROAD. EARLY 1972 INDUSTRIES TEN MAJOR SECTORS, INCLUDING HEAVY CHEMICALS, BASIC METALS, HEAVY ELECTRICAL  
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EQUIPMENT, PUBLIC UTILITIES, AND LIFE INSURANCE, PLACED IN

PUBLIC SECTOR. BEGINNING OF 1974 DOMESTICALLY OWNED BANKS, PETROLEUM MARKETING FIRMS, AND SHIPPING COMPANIES ALSO NATIONALIZED. RUMORS OF FURTHER NATIONALIZATIONS, BUT HIGH GOVERNMENT OFFICIALS, INCLUDING PRIMIN, HAVE MADE ASSURANCES GIVING RISE TO HOPE GOP INTENDS NO MORE UNTIL NEXT ELECTIONS, WHICH COULD BE CALLED AT ANY TIME THROUGH 1977. FOREIGN FIRMS THUS FAR EXEMPTED FROM NATIONALIZATION, WITH EXCEPTION ONE US LIFE INSURANCE FIRM FOR WHICH COMPENSATION RECENTLY PAID. MANY PAK BUSINESSMEN EXPRESS STRONG INTEREST ESTABLISHING JOINT VENTURES WITH FOREIGN FIRMS.

4. PAKISTAN DOES NOT HAVE ANY ARTICULATED REGULATORY SYSTEM COVERING FOREIGN INVESTMENT, HOWEVER, GOVERNMENT CAREFULLY SCREENS FOREIGN INVESTMENT PROPOSALS AND PLANS FOR PLANT EXPANSION, AND CAPITAL ISSUES REQUIRE GOVERNMENTAL AUTHORIZATION. JOINT VENTURES REGARDED PREFERABLE TO THOSE ENTIRELY FOREIGN OWNED BUT DOMESTIC EQUITY NOT REQUIRED. HOWEVER, PETROLEUM MARKETING, FERTILIZER, AND PHARMACEUTICAL COMPANIES SUBJECT TO CONSIDERABLE REGULATION. MOST SERIOUS COMPLAINT OF FOREIGN FIRMS IS THEY CANNOT MAKE ADEQUATE RETURN ON INVESTMENT BECAUSE OF PRICE CONTROLS. FIRMS MUST OBTAIN LICENSES TO IMPORT FOREIGN GOODS BUT PROCEDURE MUCH LESS CUMBERSOME THAN IN PAST. ABOUT ONE-TENTH IMPORT CATEGORIES TIED TO COUNTRIES, SUCH AS US, WHICH EXTEND FOREIGN ASSISTANCE TO PAKISTAN, AND CERTAIN OF THESE IMPORTS ARE RESTRICTED TO SPECIFIED DONOR COUNTRIES. FOREIGN FIRMS REPORT NO SERIOUS DELAYS IN REPATRIATING PROFITS OR FEES, AND THERE ARE NO RESTRICTIONS ON REPATRIATION OF CAPITAL. ALTHOUGH BASIC WAGE RATES LOW, GOVERNMENT REFORMS HAVE INCREASED FRINGE BENEFITS SIGNIFICANTLY AND PROVIDE FOR GREATER WORKER PARTICIPATION IN COMPANY PROFITS. THERE HAS BEEN NO SERIOUS LABOR UNREST SINCE LATE 1972, BUT LOW LABOR PRODUCTIVITY CONTINUES TO BE A MATTER OF CONCERN.

5. PAKISTAN AND US ARE BOUND BY TREATY OF FRIENDSHIP AND COMMERCE AND A CONVENTION FOR AVOIDANCE OF DOUBLE TAXATION. AMERICAN INVESTORS ELIGIBLE TO APPLY FOR OPIC INSURANCE AGAINST POLITICAL RISK, INCONVERTIBILITY OF EARNINGS, AND EXPROPRIATION OF ASSETS. ALTHOUGH PAKISTAN NOT MEMBER OF INTERNATIONAL PATENT AND TRADEMARK CONVENTION, HAS PATENT UNCLASSIFIED

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AND TRADEMARK LAWS AND ACCORDS US CITIZENS NATIONAL TREATMENT IN THESE MATTERS.

6. PRIVATE DIRECT INVESTMENT (DOLS MILLIONS): US DIRECT INVESTMENT STATISTICS, 1972: TOTAL, ALL INDUSTRIES - DOLS70; MINING AND SMELTING - NIL; PETROLEUM - DOLS18.5; MANUFACTURING - DOLS6.0; FERTILIZER - DOLS28.0; PHARMACEUTICALS - DOLS17.0; OTHER - DOLS.5. DIRECT INVESTMENT IN US BY PAKI-

TANIS, 1972; WE KNOW OF NO DIRECT INVESTMENT (AS OPPOSED  
TO HOLDINGS OF PORTFOLIO INVESTMENTS AND BANK DEPOSITS)  
IN US BY PAKISTANIS. DIRECT INVESTMENT BY ALL  
COUNTRIES, 1972: (BOOK VALUE AT YEAR END) (A) TOTAL,  
INCLUDING US - DOLS230; (B) OTHER COUNTRIES - (I) UNITED  
KINGDOM - DOLS130; (II) GERMANY - DOLS20; (III) SWITZERLAND -  
DOLS5; (IV) JAPAN - DOLS5. SOURCE; PAKISTAN INVESTMENT SURVEY  
AND POST ESTIMATE.  
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## Message Attributes

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